

**Improvements Are Needed to Enable the  
National Non-filer Strategy to Achieve Its  
Objectives**

**March 2002**

**Reference Number: 2002-30-060**

**This report has cleared the Treasury Inspector General for Tax Administration disclosure review process and information determined to be restricted from public release has been redacted from this document.**



DEPARTMENT OF THE TREASURY  
WASHINGTON, D.C. 20220

INSPECTOR GENERAL  
for TAX  
ADMINISTRATION

March 15, 2002

MEMORANDUM FOR COMMISSIONER, SMALL BUSINESS/SELF-EMPLOYED  
DIVISION

A handwritten signature in black ink, reading "Pamela J. Gardiner".

FROM: Pamela J. Gardiner  
Deputy Inspector General for Audit

SUBJECT: Final Audit Report – Improvements Are Needed to Enable the  
National Non-filer Strategy to Achieve Its Objectives  
(Audit # 200130029)

This report presents the results of our review of the Internal Revenue Service's (IRS) efforts to develop a strategy to address non-filed tax returns. The overall objective of this review was to determine whether the National Non-filer Strategy for Fiscal Years (FY) 2001 through 2003 will be effective in helping the IRS reach its goal of bringing non-filers into the tax system and keeping them there.

In summary, the IRS has long struggled to address the failure of a sizeable number of taxpayers to file required tax returns. The IRS' records indicate that at the end of FY 2001, there were potentially 2.3 million un-filed individual taxpayer returns and 2.1 million un-filed business returns. To help address this problem, the IRS developed the National Non-filer Strategy.

The National Non-filer Strategy includes necessary coordination with the IRS' Criminal Investigation (CI) function on all significant action items where it is appropriate. This coordination should help enhance future communication between the Small Business/Self-Employed (SB/SE) Division and the CI function regarding potential non-filer fraud cases.

Successful implementation of several of the cornerstones of the National Non-filer Strategy, however, will require improvements.

- Additional efforts are needed to ensure successful completion of action items relating to the implementation of third-party information matching.
- Sufficient accountability, specificity, and measurable milestones are not fully established to help track the completion of, and ensure the success of, all action

items. Although management identified the development of milestones as essential to the strategy, they were not timely prepared. In August 2001, we advised management that the continued absence of detailed steps and milestones in support of the National Non-filer Strategy would make effective monitoring and coordination of the implementation team's efforts difficult. In November 2001, project management completed the development of approximately 200 steps and milestones in support of the Strategy; however, additional improvements are still needed.

- A methodology does not exist to measure either the cost or effectiveness of the various action items.

Management's Response: IRS management agreed with our recommendations and is proposing a number of actions to address the problems identified in our report. The Non-filer Strategy Implementation Team has provided additional milestones for the third-party matching projects that are underway and will evaluate the results from each state independently. The Implementation Team will also conduct a cost/benefit analysis and confirm test results for each activity, if feasible, before proceeding to the next step. In addition, the Implementation Team is reevaluating critical action items and plans to refocus deliverables and responsibilities during their upcoming meeting. Finally, a regular meeting schedule for the Executive Steering Committee was established and, when feasible, the Implementation Team will measure return on investment for the Non-filer activities.

Management did not fully agree with our assessment of the third-party matching projects. Specifically, management indicated that their primary focus has been on the Matching of State Employment Wage data and that at this time, they are merely studying the feasibility of developing State Sales Tax Matching as a secondary program. However, management did include satisfactory corrective action in their response to address our concerns regarding the need for a cost/benefit analysis and evaluation of results from the Matching of State Employment Wage data.

Office of Audit Comment: Our conclusions regarding the IRS' third-party data matching initiatives were based on an evaluation of all efforts where resources were being expended, and our purpose was to evaluate the general framework within which the IRS was managing those efforts. We noted a number of areas where this overall effort can be improved, including the periodic evaluation of project benefits and costs for any project under development.

Management's complete response to the draft report is included as Appendix IV.

Copies of this report are also being sent to the IRS managers who are affected by the report recommendations. Please contact me at (202) 622-6510 if you have questions or Gordon C. Milbourn III, Assistant Inspector General for Audit (Small Business and Corporate Programs), at (202) 622-3837.

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### Background

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The timely filing of required tax returns is critical to the United States' (U.S.) system of voluntary compliance with Federal tax laws. Taxpayer noncompliance with return filing requirements can result from a wide range of causes, including lack of knowledge, confusion, poor record keeping, differing legal interpretations, unexpected personal emergencies, and temporary cash flow problems. In addition, some noncompliance is intentional and can result in referrals to the Criminal Investigation (CI) function for a criminal tax evasion investigation.

The Internal Revenue Service (IRS) identifies potential individual non-filers by using historical filing information and some limited third-party data. For example, the IRS requires employers, financial institutions, and other business entities to submit income and various other types of tax-related information to the IRS. These third-party data are matched to the data on filed returns and are also used to identify non-filers.

IRS records show that as of the end of Fiscal Year (FY) 2001, there were potentially 2.3 million un-filed individual taxpayer returns and 2.1 million un-filed business returns in active inventory. The individual un-filed return inventory includes taxpayers with small businesses filing a U.S. Individual Income Tax Return (Form 1040) with a Profit or Loss from Business (Schedule C)<sup>1</sup> attached. The business un-filed return inventory includes employment, corporate income, excise, and highway use tax returns.

To address the ongoing problem of un-filed tax returns, the IRS has employed a variety of different strategies over the past several years. From FYs 1993 through 1995, a multifunctional, national non-filer strategy was conducted using the Collection function's<sup>2</sup> open inventory. Another national non-filer strategy was developed for FYs 2000 and 2001; however, it was terminated due to the reorganization of the IRS. Subsequently, the National Non-filer Strategy

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<sup>1</sup> Schedule C is used for the reporting of the profit or loss for small businesses.

<sup>2</sup> The Collection function is responsible for the collection of unpaid tax revenue liabilities.

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for FYs 2001 through 2003 was developed. It relies on a combined approach of outreach and compliance efforts, and the Small Business/Self-Employed (SB/SE) Division has overall responsibility for its implementation.

This review was conducted at the SB/SE Division Headquarters in Washington, DC, and at Compliance Area 1, 10, and 13 Offices, headquartered in Boston, MA; Dallas, TX; and Oakland, CA; respectively. We conducted the audit from July through September 2001 in accordance with *Government Auditing Standards*.

Detailed information on our audit objective, scope, and methodology is presented in Appendix I. Major contributors to the report are listed in Appendix II.

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### **The National Non-filer Strategy Includes Necessary Coordination with the Criminal Investigation Function**

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The National Non-filer Strategy includes coordination with the CI function on all significant action items where it is appropriate. The CI function is responsible for conducting criminal investigations and recommending prosecution of taxpayers when material fraud exists. This coordination should help enhance future communication between the SB/SE Division and the CI function regarding potential non-filer fraud cases. Some of the key coordination action items include joint efforts, support of employee technical training, and development of taxpayer awareness/education.

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### **Additional Efforts Are Needed to Ensure Successful Delivery of a Key Element of the Strategy**

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Additional efforts are needed to ensure the successful delivery of the National Non-filer Strategy initiatives involving third-party data matching. The expanded use of third-party data, such as state sales tax and state employment tax information, to assist the IRS in resolving non-filer cases is a cornerstone of the Strategy. Comprehensive third-party data would allow the IRS to better identify non-compliance and focus its scarce resources when attempting to resolve non-filer cases.

The IRS has long used information regarding interest income, dividend income, and miscellaneous income such

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as rents and royalties collected.<sup>3</sup> However, there are numerous other sources of third-party data the IRS could also use, such as state sales tax records and state employment tax data. Since many businesses conduct cash transactions, about which information is often not reported to the IRS, such sources could be especially helpful to identify non-filers. While some of the IRS' individual field offices have collected state tax data in the past, such efforts have generally been sporadic. In addition, these efforts often required extensive and time-consuming manual analysis and review before the information could be used to assist in identifying taxpayers who fail to file required tax returns.

To develop a nationwide third-party data-matching program involving state tax data, the National Non-Filer Strategy team identified and gathered information on a variety of recent field office matching efforts. Currently, the Strategy team is in the process of reviewing a sample of employment tax data from one state and a sample of sales tax data from another state. In both cases, the data were selected from states that had preexisting matching programs with IRS field offices. Since these testing efforts are still ongoing, we were unable to evaluate the results.

However, there are several areas where this overall effort could be improved. Specifically, the Strategy does not include a requirement to periodically evaluate the state tax matching project viability, including an ongoing review of project costs, benefits, and risks. This evaluation should consider all costs and human resource requirements associated with obtaining, perfecting, and matching third-party information, and be sufficiently detailed to allow management to access and evaluate the state tax matching projects as they move through the various phases of their development. Additionally, the Strategy does not contain a provision for confirming the initial state sales tax test results

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<sup>3</sup> Information on these income sources is reported to the IRS via: Statement for Recipients of Interest Income (Form 1099-INT); Statement for Recipients of Dividends and Distributions (Form 1099-DIV); and Statement for Recipients of Miscellaneous Income (Form 1099-MISC).

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using data from one or more different states before proceeding to the next step of the project. Project planning by the Strategy team has been primarily focused on data acquisition and sample analysis.

Sufficiently validated test results and a careful ongoing analysis of project costs and benefits, as well as the risks of new information technology efforts under development, are essential to informed decision-making and effective project management. Ineffective validation and evaluation of project viability could result in developing a matching system that is largely unworkable or cost-prohibitive to implement and operate.

### **Recommendations**

The Director, Compliance, SB/SE Division, should:

1. Incorporate into the Strategy a requirement for a periodic review of project costs, benefits, and risks of any third-party data-matching program under development. The analysis should consider all costs associated with obtaining, perfecting and matching third-party information, including an estimate of the human resources necessary at all steps of the matching process.

Management's Response: The Implementation Team recently provided additional milestones for the third-party matching projects (State Employment Wage data) that are underway, and IRS management indicated they will evaluate the results from each state independently. The team will conduct a cost/benefit analysis and confirm test results for each activity, if feasible, before they proceed to the next step. Preliminary data analysis will determine if they should further develop the Sales Tax Match.

Management did not fully agree with our assessment of the third party matching projects. Specifically, management indicated that their primary focus has been on the Matching of State Employment Wage data and that at this time, they are merely studying the feasibility of developing State Sales Tax Matching as a secondary program.



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Office of Audit Comment: Our conclusions regarding the IRS' third-party data matching initiatives were based on an evaluation of all efforts where resources were being expended, and our purpose was to evaluate the general framework within which the IRS was managing those efforts. We noted a number of areas where this overall effort can be improved, including the periodic evaluation of project benefits and costs for any project under development.

2. Incorporate into the Strategy a provision for confirming any initial test results regarding matching programs before proceeding to the next step of the project.

Management's Response: The IRS will confirm independent test results from each state, if feasible, before proceeding to the next step. The Non-filer Strategy already includes milestones for each phase of the State Employment Wage Data-Matching project.

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### Additional Accountability Is Still Needed to Ensure the Successful Completion of the Strategy's Objectives

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The initial National Non-filer Strategy for FYs 2001 through 2003 did not establish sufficient accountability to help ensure the successful completion of its objectives. Although management identified the development of milestones as essential to the strategy, they were not timely prepared. In August 2001, we advised management that the continued absence of any detailed steps and interim milestones in support of the National Non-filer Strategy would make effective monitoring and coordination of the implementation team's efforts difficult.

In November 2001, project management completed the development of over 200 detailed steps and milestones in support of the Strategy. Although these milestones, in general, significantly clarified the steps needed to accomplish the multi-year action items, additional improvement in some key areas is still needed. Also, responsibilities for implementing the steps are still not always clearly defined.

For example, the initiation of matching of state sales tax data to improve case resolution is jointly assigned to personnel in three different SB/SE Division functions, as well as functions in two other IRS operating divisions.

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Although one of the SB/SE Division functions is designated as the lead on this project, it is unclear what deliverables are expected from each of the assisting functions. In addition, initiation of sales tax matching, which is scheduled to begin in December 2002, has no supporting interim milestones listed for any time during FY 2002.

Similarly, the development of outreach plans to non-filers, including sending informational notices to targeted groups, is supported by only one general milestone, and there is no documented progress relating to this area. The expanded use of education and outreach to address the non-filing of tax returns has the potential to be the most cost-effective action in the Strategy. The development of milestones was delegated to the responsible functions and not subject to detailed review by project management.

Finally, although an Executive Steering Committee (ESC) was broadly tasked with developing an integrated Strategy to address non-filers and overseeing the activities of an Implementation Team, effective controls were not established to ensure that ESC members are timely and periodically appraised of the action items' progress, results, and problems. For example, the last meeting of the ESC was held in June 2001. A number of significant actions have taken place since then, such as the completion of several non-filer studies, the development of the over 200 detailed milestones, and the amendment of delivery dates on a number of action items.

Effective internal control environments include ongoing monitoring, clear delineation of responsibilities, and the availability of relevant information regarding program results. Without sufficient accountability and oversight, there is an increased risk that the Strategy will not be implemented timely and as designed, which in turn, could result in continuing noncompliance and an increase in un-filed returns. In addition, without detailed milestones to help in the coordination of the over 30 different organization segments assigned to the Strategy, there is a potential that work will be duplicated, and opportunities for information sharing may be missed.

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### Recommendations

The Director, Compliance, SB/SE Division, should:

3. Reevaluate all critical action items and ensure that clearly defined lines of responsibility, clear deliverables, and periodic milestones support them.

Management's Response: The Non-filer Strategy Implementation Team is reevaluating critical action items and plans to re-focus deliverables and responsibilities during their upcoming meeting. The first office listed for each action item has been designated as the lead, with overall reporting responsibility for the status of the action item. The lead also coordinates milestone updates and communication among the co-owners. Milestones and updates are compiled and reported at the end of the first month of each quarter, followed by discussions approximately 2 weeks later, during quarterly Implementation Team meetings.

4. Establish a regular meeting schedule for the ESC and require formal, periodic reporting of the status and results of Strategy action items to the ESC, including the identification of problem areas and delays.

Management's Response: The ESC met on January 31, 2002, and established a quarterly meeting schedule in order to avoid scheduling conflicts. A special follow-up meeting is planned to continue with unfinished business from the January meeting and discuss the Implementation Team's activities from a meeting it held on February 13, 2002. During the January 31, 2002, meeting, the ESC acknowledged its strategic role in developing the Non-filer Strategy and reaffirmed its responsibilities to oversee and monitor the Implementation Team's activities.

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### The Strategy Does Not Include a Methodology to Measure Results

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The National Non-filer Strategy for FYs 2001 through 2003 does not include a comprehensive methodology to measure either the results of the implementation of the action items or the resources devoted to achieve the results. Although the Strategy does include the measure of its effectiveness as a priority action item, there are no specific steps or milestones to support this. IRS procedures state that timely

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and relevant information is necessary for effective management decisions regarding planning, evaluating alternatives, monitoring progress, and measuring performance. Management informed us that they placed primary emphasis on first developing detailed steps and milestones for action items directly related to implementing new initiatives and systems.

Without reliable management information regarding Strategy results and costs, it will be difficult for management to effectively determine which specific initiatives are successful and whether the Strategy is meeting its objectives overall. Development of this type of information is especially critical given the limited resources the IRS has historically devoted to addressing the non-filing of required tax returns. Complicating any effort to develop useful information concerning progress towards achieving Strategy objectives is the fact that during the development of the Strategy, the IRS never defined what was meant by the term “non-filer.” Management informed us they expected to develop a non-filer definition in January 2002.

### **Recommendation**

5. The Director, Compliance, SB/SE Division, should develop a comprehensive methodology to measure both the progress of the Strategy in meeting its overall objectives and the cost of implementing the Strategy.

Management’s Response: When feasible, the Implementation Team will measure return on investment for the Non-filer Strategy activities. IRS management established milestones to monitor progress and results of individual activities and to judge the short-term effectiveness of the Strategy. They also established an action item to develop a comprehensive Compliance measure, but will not be able to measure overall success for several years since the Non-filer Strategy is a sustained, multi-year effort.

### **Detailed Objective, Scope, and Methodology**

The overall objective of this review was to determine whether the National Non-filer Strategy for Fiscal Years (FY) 2001 through 2003 will be effective in helping the Internal Revenue Service (IRS) reach its goal of bringing non-filers into the tax system and keeping them there.

To accomplish our overall objective, we:

- I. Determined what steps the IRS has taken to ensure that this National Non-filer Strategy will avoid the pitfalls and capitalize on the successes of prior National Non-filer Strategies.
  - A. Reviewed the prior National Non-filer Strategies to identify the similarities and differences between those strategies and the present Strategy.
  - B. Evaluated management's appraisal of overall successes/failures associated with the last two strategies and analyzed the measurement system used to arrive at these determinations.
- II. Determined if the National Non-filer Strategy for FYs 2001 through 2003 was compatible with the goals, strategies, and initiatives of the various IRS functions charged with implementing it.
- III. Determined if the Strategy's Executive Steering Committee (ESC) was sufficiently empowered and could effectively monitor the implementation and measure the success of the Strategy.
  - A. Identified ESC members and their levels of authority in implementing the National Non-filer Strategy action items.
  - B. Evaluated the availability and allocation of resources for the start-up of action items approved by the ESC.
  - C. Determined how the ESC would manage the National Non-filer Strategy start-up and any initial implementation problems.
  - D. Evaluated how the ESC would monitor the Strategy in the long-term to ensure it was progressing as anticipated and achieving the results it expected.
  - E. Analyzed the measurement system and associated goals the ESC would rely on to evaluate the long-term results of the Strategy.
- IV. Determined whether the action items in the Strategy addressed and were consistent with non-filer trends identified in recent data gathered by the Small Business/Self-Employed (SB/SE) Division's Research and Statistics function.

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- A. Analyzed results of recent Research and Statistics function studies relating to identification of non-filers and determined whether these results were adequately considered during the development of the current Strategy.
- B. Analyzed results of recent Market Segment studies involving state licensing of non-filers and determined whether these results were used during the development of the current Strategy.
- V. Determined whether key Strategy milestones (action items) were reasonable, including actions to be performed by functions not part of the SB/SE Division's Compliance function.
  - A. Interviewed personnel responsible for selected action items and determined whether projected completion dates were reasonable.
  - B. Identified any existing Federal/State initiatives, such as matching sales tax data, and evaluated the effectiveness of the IRS' use of data gathered through these efforts.
  - C. Interviewed government liaison personnel to determine the status of any pending Federal/State matching initiatives.
  - D. Determined the status of the proposed Federal/State licensing project and analyzed the reasonableness of any projected benefits.
  - E. Interviewed government liaison personnel to determine the number of states that may/could participate in this licensing venture.
  - F. Determined whether these sources were adequately used to help identify non-filers that had a high potential of having a tax liability.
- VI. Identified internal stakeholder concerns regarding the Strategy in selected field offices of the SB/SE Division's Compliance function, the SB/SE Division's Taxpayer Education and Communication function, and the Criminal Investigation function.

**Major Contributors to This Report**

Gordon C. Milbourn III, Assistant Inspector General for Audit (Small Business and Corporate Programs)

Parker Pearson, Director

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Mildred Rita Woody, Auditor

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**Appendix III**

**Report Distribution List**

Commissioner N:C  
Deputy Commissioner, Small Business/Self-Employed Division S:DC  
Chief Counsel, Small Business/Self-Employed Division S:CC  
Chief, Criminal Investigation CI  
Director, Compliance, Small Business/Self-Employed Division S:C  
Director, Compliance Policy, Small Business/Self-Employed Division S:C:CP  
Director, Filing and Payment Compliance, Small Business/Self-Employed Division S:C:CP:FP  
Chief Counsel CC  
National Taxpayer Advocate TA  
Director, Legislative Affairs CL:LA  
Director, Office of Program Evaluation and Risk Analysis N:ADC:R:O  
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Audit Liaisons:  
    Commissioner, Small Business/Self-Employed Division S  
    Chief, Criminal Investigation CI  
    Director, Compliance, Small Business/Self-Employed Division S:C



# Improvements Are Needed to Enable the National Non-filer Strategy to Achieve Its Objectives

Appendix IV

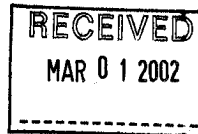
## Management's Response to the Draft Report



COMMISSIONER  
SMALL BUSINESS/SELF-EMPLOYED DIVISION

DEPARTMENT OF THE TREASURY  
INTERNAL REVENUE SERVICE  
WASHINGTON, D.C. 20224

MAR -1 2002



### MEMORANDUM FOR DEPUTY INSPECTOR GENERAL FOR AUDIT

FROM: Joseph G. Kehoe *Joseph G. Kehoe*  
Commissioner, Small Business/Self-Employed Division

SUBJECT: Draft Letter Report – Improvements Are Needed to Enable the  
National Non-filer Strategy to Achieve Its Objectives  
(Audit # 200130029)

We reviewed your report and agree that improvements are needed to enable us to measure the full impact of our Strategy in achieving its objectives. The National Non-filer Strategy is an integrated, multi-faceted effort by all Operating Divisions, to increase voluntary filing compliance. We developed it to create a strategic focus for a multitude of Service-wide Non-filer activities. At the time of the audit, we were developing detailed steps and milestones for these activities. Some actions have been underway since June. We expect to add action items and milestones, and drop some items, as we implement various activities and focus the Strategy on the most productive, cost-effective projects.

As you point out in your report, we do not have a comprehensive methodology yet to measure the effectiveness and cost of implementing the Non-filer Strategy. However, we are setting milestones to measure the progress and costs (when feasible) on individual activities. We will evaluate the successes and costs associated with the individual actions to measure the overall effectiveness of the strategy. We have also established an action item to develop a comprehensive compliance measure. However, since this is a multi-year effort, we may not see or be able to measure progress toward meeting our objective for many years.

We do disagree with the finding that additional efforts are needed to ensure delivery of a key element of the Strategy involving third-party data matching. Although there are two matching projects indicated in the Strategy, your report focuses primarily on the Sales Tax Match. However, our primary focus has been on Matching of State Employment Wage Data. This activity is well underway and is documented with all the preliminary validations and evaluations required as it moves through each phase of development. The Sales Tax Match has not been implemented. At this time we are merely studying the feasibility of developing Sales Tax Matching as a secondary matching program.

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Our comments on the recommendations in this report are as follows:

### **IDENTITY OF RECOMMENDATION 1**

Incorporate into the Strategy a requirement for a periodic review of project costs, benefits, and risks of any third-party data-matching program under development. The analysis should consider all costs associated with obtaining, perfecting and matching third-party information, including an estimate of the human resources necessary at all steps of the matching process.

### **ASSESSMENT OF CAUSE**

Recommendation 1 was based primarily on the wording of Action Item 2.A.4, "Implement a Sales Tax Match." The wording of the Action was misleading, resulting in inaccurate reporting that the preliminary steps before implementation were missing. We changed the wording on the Action Item to reflect the true status: "Study feasibility of development of a State Sales Tax Match." We never indicated this program was a priority or key activity of the Non-filer Strategy, and much of our work in third party matching is focused on State Employment Wage data.

### **CORRECTIVE ACTION**

The Implementation Team recently provided additional milestones for the third-party matching projects (State Employment Wage data) that are underway, and we will evaluate the results from each state independently. The team will conduct a cost/benefit analysis and confirm test results for each activity, if feasible, before we proceed to the next step. Preliminary data analysis will determine if we should further develop the Sales Tax Match.

### **IMPLEMENTATION DATE**

Final Implementation - October 1, 2003 (will vary state by state)

### **RESPONSIBLE OFFICIAL**

Director, Filing & Payment Compliance

### **CORRECTIVE ACTION MONITORING PLAN**

The Non-filer ESC will review and monitor quarterly.

### **IDENTITY OF RECOMMENDATION 2**

Incorporate into the Strategy a provision for confirmation of any initial test results regarding matching programs before proceeding to the next step of the project.

### **ASSESSMENT OF CAUSE**

Recommendation 2 was also based on the wording of Action Item 2.A.4, "Implement a Sales Tax Match." The wording of the Action was misleading, resulting in an inaccurate reporting that the preliminary steps before implementation, including validation of test results, were missing. We changed the wording on the Action Item to reflect the true status: "Study feasibility of development of a State Sales Tax Match." We never

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indicated this was a priority or key activity of the Non-filer Strategy, and much of our work in third party matching is focused on State Employment Wage data.

### **CORRECTIVE ACTION**

We will confirm independent test results from each state, if feasible, before we proceed to the next step. The Non-filer Strategy already includes milestones for each phase of the State Employment Wage Data-Matching project.

### **IMPLEMENTATION DATE**

Completed February 1, 2002

### **RESPONSIBLE OFFICIAL**

Director, Filing & Payment Compliance

### **CORRECTIVE ACTION MONITORING PLAN**

N/A

### **IDENTITY OF RECOMMENDATION 3**

Re-evaluate all critical action items and ensure that clearly defined lines of responsibility, clear deliverables, and periodic milestones support them.

### **ASSESSMENT OF CAUSE**

More detail is needed in the critical action items to help coordinate activities and prevent duplication.

### **CORRECTIVE ACTION**

The Non-filer Strategy Implementation Team is re-evaluating critical action items and plans to re-focus deliverables and responsibilities during their upcoming meeting. The first office listed for each action item has been designated as the lead, with overall reporting responsibility for the status of the action item. The lead also coordinates milestone updates and communication among the co-owners. Milestones and updates are compiled and reported at the end of the first month of each quarter, followed by discussions approximately two weeks later during quarterly Implementation Team meetings.

### **IMPLEMENTATION DATE**

April 1, 2002

### **RESPONSIBLE OFFICIALS**

Non-filer ESC Members are the responsible officials. However, the Director, Filing & Payment Compliance, will be responsible for tracking and reporting the corrective action.

### **CORRECTIVE ACTION MONITORING PLAN**

The Non-filer ESC will review and monitor action item milestones during their quarterly meetings. The committee has scheduled a special follow-up meeting to review and

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refocus action items discussed by the Implementation Team during their February 13, 2002 meeting.

### **IDENTITY OF RECOMMENDATION 4**

Establish a regular meeting schedule for the ESC and require formal, periodic reporting of the status and results of Strategy action items to the ESC, including the identification of problem areas and delays.

### **ASSESSMENT OF CAUSE**

We did not establish a regular meeting schedule due to scheduling conflicts.

### **CORRECTIVE ACTION**

The ESC met on January 31, 2002, and established a quarterly meeting schedule, in order to avoid scheduling conflicts. A special follow-up meeting is planned to continue with unfinished business from the January meeting and discuss the Implementation Team's activities from its February 13<sup>th</sup> meeting. During the January 31<sup>st</sup> meeting, the ESC acknowledged its strategic role in developing the Non-filer Strategy and re-affirmed their responsibilities to oversee and monitor the Implementation Team's activities.

### **IMPLEMENTATION DATE**

Completed January 31, 2002

### **RESPONSIBLE OFFICIALS**

N/A

### **CORRECTIVE ACTION MONITORING PLAN**

N/A

### **IDENTITY OF RECOMMENDATION 5**

Director, Compliance, SB/SE Division, should develop a comprehensive methodology to measure both the progress of the Strategy in meeting its overall objectives and the cost of implementing the Strategy.

### **ASSESSMENT OF CAUSE**

The primary emphasis of the strategy has been to develop the milestones and steps for implementing new systems and initiatives.

### **CORRECTIVE ACTION**

When feasible, the Implementation Team will measure return on investment (ROI) for the Non-filer Strategy activities. We established milestones to monitor progress and results of individual activities and to judge the short-term effectiveness of the strategy. We established an action item to develop a comprehensive Compliance measure. However, we will not be able to measure overall success for several years since the Non-filer Strategy is a sustained, multi-year effort.

**Improvements Are Needed to Enable the National Non-filer Strategy  
to Achieve Its Objectives**

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**IMPLEMENTATION DATE**

October 1, 2003

**RESPONSIBLE OFFICIAL**

Director, Filing & Payment Compliance

**CORRECTIVE ACTION MONITORING PLAN**

The Non-filer ESC will review and monitor progress quarterly until the Compliance measure is in place.

Please call Martha Sullivan, Director, Compliance, Small Business/Self-Employed at (202) 283-2180, if you have any questions.